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FACTORS THAT AFFECTED THE AVERAGE PRICE OF CALIFORNIA CANNED PEACHES IN 1931-32

H. R. Wellman 1/

The average price which California canners received for canned clingstone peaches in 1931-32 was the lowest in many years. This low price was the result of many factors. Although shipments of canned peaches were very small, this favorable influence upon price was more than offset by the decline in the general price level and the unfavorable demand conditions.

Prices of Canned Peaches. As shown in table 1, the average price per case f.o.b. cannery received for both domestic and foreign shipments of canned peaches in 1931-32 was \$2.55 a case, 11.5 per cent below the 1930-31 price and 20.8 per cent below the 1928-29 price.<sup>2/</sup> As compared with 1930-31, prices in the domestic market in 1931-32 were relatively more favorable than prices in the export markets. Chiefly as a result of the decline in the English pound sterling, the average price, f.o.b. Pacific Coast dock, received for canned peaches exported to the United Kingdom in 1931-32 was 19.7 per cent below the 1930-31 average price; whereas the average price received for goods sold in the United States in 1931-32 was only 9.4 per cent below the 1930-31 average price.

Shipments of Canned Peaches. Total shipments of California canned peaches, including both freestones and clingstones, in 1931-32 amounted to only 7,526,000 cases<sup>3/</sup>, 32 per cent smaller than in 1930-31 and 42 per cent smaller than in 1928-29 (table 2). There was a decrease in both domestic shipments and exports. The relative decrease in domestic shipments between 1930-31 and 1931-32 amounted to 35 per cent, whereas in exports it amounted to only 11 per cent.

If there had been no change in the general price level or in demand conditions between 1930-31 and 1931-32, the smaller volume shipped this past year would have resulted in a substantially higher price than was received, or at the same price a much larger volume could have been moved. As a matter of fact, however, there was a substantial decrease in both the general price level and demand conditions. The depressing influence of these factors upon the price of canned peaches was considerably greater than the lifting influence of the small shipments.

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1/ Extension Specialist in Agricultural Economics and Associate on the Giannini Foundation of Agricultural Economics.

2/ F.o.b. prices per case are weighted average prices for all grades and sizes of cans. Regular brokerage, cash discount, swell allowance, and label allowance are included. Special or other trade discounts and prepaid items such as prepaid freight are not included.

Prices which canners received for No. 2½ Choice clingstone peaches in 1930-31 and 1931-32 are not available. In 1929-30 prices of No. 2½ Choice averaged 12.1 per cent above the prices received for all grades and sizes of cans. The range among the canners reporting was from 8.3 per cent to 15.3 per cent. Records from two canners were obtained for the years 1922-23 to 1929-30. During those eight years the prices received for No. 2½ Choice averaged 12.5 per cent above the prices received for all grades and sizes of cans. The range was from 9.6 per cent to 15.1 per cent.

Assuming that the price of No. 2½ Choice in 1931-32 was 12 per cent above the price of all grades and sizes of cans, the average price of \$2.55 a case would be equivalent to \$1.43 per dozen cans No. 2½ Choice.

3/ Shipments of clingstones alone amounted to 7,444,729 cases in 1931-32.



Decline in the General Price Level. From 1921 to 1929 there was virtually no change in the general level of prices in this country. During those nine years money maintained a uniform value, and prices of a commodity were an accurate measure of their value. Since 1929, however, there has been a pronounced decline in the general price level and, therefore, an equivalent increase in the value of money. While it is not possible, with the data now available, to obtain a precise measure of the decline in the general price level, a rough approximation may be obtained from the indexes given in columns 1 and 2, table 3. For the year June, 1931 to May, 1932 the index of wholesale prices of all commodities will probably average around 100, while the index of general prices will probably average around 142. As compared with 1928-29 the former index will show a decline of about 30 per cent, while the latter will show a decline of about 20 per cent. The actual decline in the general price level has probably been between 20 and 30 per cent, perhaps around 25 per cent. With the general price level in 1931-32 about 75 per cent as high as in 1928-29 and about 87 per cent as high as in 1930-31, the \$2.59 a case which canners received in 1931-32 would be equivalent to about \$3.45 a case in terms of the value of money in 1928-29 and to about \$3.00 a case in terms of the value of money in 1930-31.

In April, 1932 the index of wholesale prices of all commodities was 4 per cent below the 1931-32 average, while the index of general prices was 5 per cent below.

Buying Power of Consumers. The buying power of consumers, which decreased greatly between 1928-29 and 1930-31, was further reduced in 1931-32. During 1931-32 the Federal Reserve Board Index of Factory Employment averaged around 70 as against 80 in 1930-31 and 100 in 1928-29 (table 3, column 3). In March, 1932 the index of factory employment was at 66. The buying power of people engaged in agriculture experienced an even greater reduction than factory workers. Prices of farm products in 1931-32 were 54 per cent lower than in 1929, while the gross income from agricultural production in 1931 was 42 per cent below that of 1929.<sup>4/</sup> Net farm income unquestionably declined proportionately more than gross farm income. Taken as a group farm people had very little money to spend in 1931-32, and undoubtedly their purchases of semi-luxury products such as canned fruits were greatly curtailed.

Volume of Competing Fruits. The total volume of fruit marketed in the United States in 1931-32 was larger than in any recent year with the single exception of 1926-27. The index of fruit production in 1931-32 was 124 as against 109 in 1930-31 and 115 in 1928-29 (table 3, column 4). The increases in production in 1931-32 as compared with 1930-31 were largely in fresh peaches, fresh apples, and dried apricots. The combined pack of canned apricots, cherries, pears, and pineapples was slightly smaller.

The larger total fruit production in 1931-32 as compared with 1930-31 does not fully reflect the increased competition to canned peaches, however, because of the large amount of home canning and the relatively low prices of other canned fruits.

Home Canning. The available information indicates that the quantity of fruit canned in the home in 1931 was considerably larger than in other recent years. In many instances home canned fruit was substituted for commercially canned fruits. Consumers throughout the Midwestern, Eastern, and Southern states had access to large quantities of low-priced fresh peaches in 1931. It is probable that the bulk of the fruit canned in the home last year was peaches, and that as a result the large volume of home canning had a greater effect upon the demand for canned peaches than upon the demand for other canned fruits.



Low Prices of Competing Canned Fruits. The small movement of canned peaches in 1931-32 is partly accounted for by the relatively low prices of competing canned fruits. As compared with 1930-31, quotations on Fancy sliced Hawaiian pineapple in 1931-32 averaged about 27 per cent lower, quotations on Choice apricots about 19 per cent lower, quotations on Choice pears about 15 per cent lower; whereas quotations on Choice peaches averaged only 11 per cent lower (table 4). Thus, as compared with other canned fruits, prices of canned peaches were relatively higher in 1931-32 than in 1930-31. As a result of these relatively higher prices, consumers tended to substitute other canned fruits for canned peaches.

Price Cutting. The lack of confidence on the part of the trade in the stability of canned peach prices was one of the factors which contributed to the slow movement of canned peaches in 1931-32. Shortly after the end of the packing season it became generally evident that the quantity of canned peaches available for shipment could not be sold at the opening prices. Some canners in an attempt to increase their own sales began to cut prices. Other canners in order to avoid losing their regular customers met the reduced prices. By November, price cutting had become prevalent. Sales of No. 2½ Choice peaches were reported as being made at from 20 to 30 cents a dozen below the opening prices. Once started, price declines tend to become cumulative; each drop in prices discourages sales for the time being and necessitates further price concessions in order to move the goods. Thus it is probable that the immediate effect of the price cutting in canned peaches was to retard rather than to stimulate sales. While a reduction in the price of canned peaches to consumers generally results in an immediate increase in consumption, a reduction in prices to the trade may, if a further drop is anticipated, result in a decrease rather than an increase in sales.

With the formation of the Cling Peach Sales Agency early in January, the price of canned peaches tended to be stabilized at \$1.47 a dozen for No. 2½ Choice. This price, however, was relatively high as compared with prices prevailing on other canned fruits. Consequently, consumers tended to substitute other canned fruits for canned peaches.

Relation Between F.O.B. Prices and Domestic Shipments. The diagonal line in figure 1 shows the average relation that existed between annual domestic shipments and average f.o.b. prices of canned peaches during the past eleven years, adjusted to the situation in 1931-32.

This past year domestic shipments amounted to 6,086,000 cases, the average f.o.b. price was \$2.59 a case. If prices had averaged \$2.40 a case instead of \$2.59 a case and all other conditions had remained the same, it is probable that domestic shipments would have been around 7,000,000 cases instead of 6,086,000 cases. But as a matter of fact, if opening prices had been \$2.40 a case, which is approximately equivalent to \$1.35 <sup>5/</sup> a dozen for No. 2½ Choice, certain conditions would not have been the same. Price cutting would not have developed to the extent that it did and the substitution of other canned fruits for canned peaches by consumers would not have been as great. Under these conditions it is probable that domestic shipments would have been considerably larger than 7,000,000 cases.

Relation Between F.O.B. Prices and Total Shipments. In figure 2 the diagonal line shows the average relation that existed between total annual shipments (including both domestic shipments and exports) and average f.o.b. prices of all canned peaches during the past eleven years, adjusted to the situation in 1931-32.

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5/ Assuming that the price on No. 2½ Choice was 12 per cent above the price on all grades and sizes of cans. See footnote 2/.



Export Situation. Exports of canned peaches from the United States in 1931-32 were 11 per cent smaller than in 1930-31 and 33 per cent smaller than in 1928-29 (table 5, column 1). The United Kingdom, which has always been our most important foreign market for canned peaches, took 88 per cent of our total exports in 1931-32 as against 83 per cent in 1930-31, whereas Canada took only 0.7 per cent last year as against 4.3 per cent the year before. In August, 1931 the Canadian general import duty on canned fruits was raised to 5 cents a pound, which rate practically prohibits us from exporting to that country.

Table 6 shows the United Kingdom imports of canned peaches and all canned fruits. Imports of canned peaches from both the United States and Australia were smaller in 1931-32 than in 1930-31, the combined decrease being 9.8 per cent. Despite this decrease in canned peach imports the average price which California canners received for goods exported to the United Kingdom was 19.7 per cent lower in 1931-32 than in 1930-31. This price decline is mainly accounted for by the increased competition of other canned fruits, the decrease in the buying power of consumers, a small decline in the general price level, and the break in the exchange rate. The combined effect of these four factors is reflected in the index of prices of canned fruit, table 7, column 1, which was at 70.0 in 1931-32 as against 90.2 in 1930-31, a decrease of 22 per cent.

Total imports of canned fruits into the United Kingdom in 1931-32 amounted to 7,590,000 cases, about 9 per cent larger than in 1930-31.

The buying power of consumers in England was lower in 1931-32 than in 1930-31. Among insured persons the percentage of unemployment averaged 21.7 per cent in 1931-32 as against 19.6 per cent in 1930-31, an increase of 11 per cent (table 7, column 3).

The index of wholesale prices in England, measured in pounds sterling, was only 5 per cent lower in 1931-32 than in 1930-31 (table 7, column 2).

In September, 1931 England went off the gold basis with the resulting decline in the value of the pound sterling in terms of United States dollars (table 7, column 4). The average exchange rate in 1931-32 was 20 per cent below par. In May, 1932 the exchange rate was 24 per cent below par. The decline in the value of the pound sterling resulted in an increase in the price, measured in English currency, of California canned fruits to English consumers which tended to reduce consumption, and a decrease in the price, measured in United States currency, to California canners.





Figure 1

Average Relation Between F.O.B. Prices and Domestic Shipments of Canned Peaches, Adjusted to the Situation in 1931-32

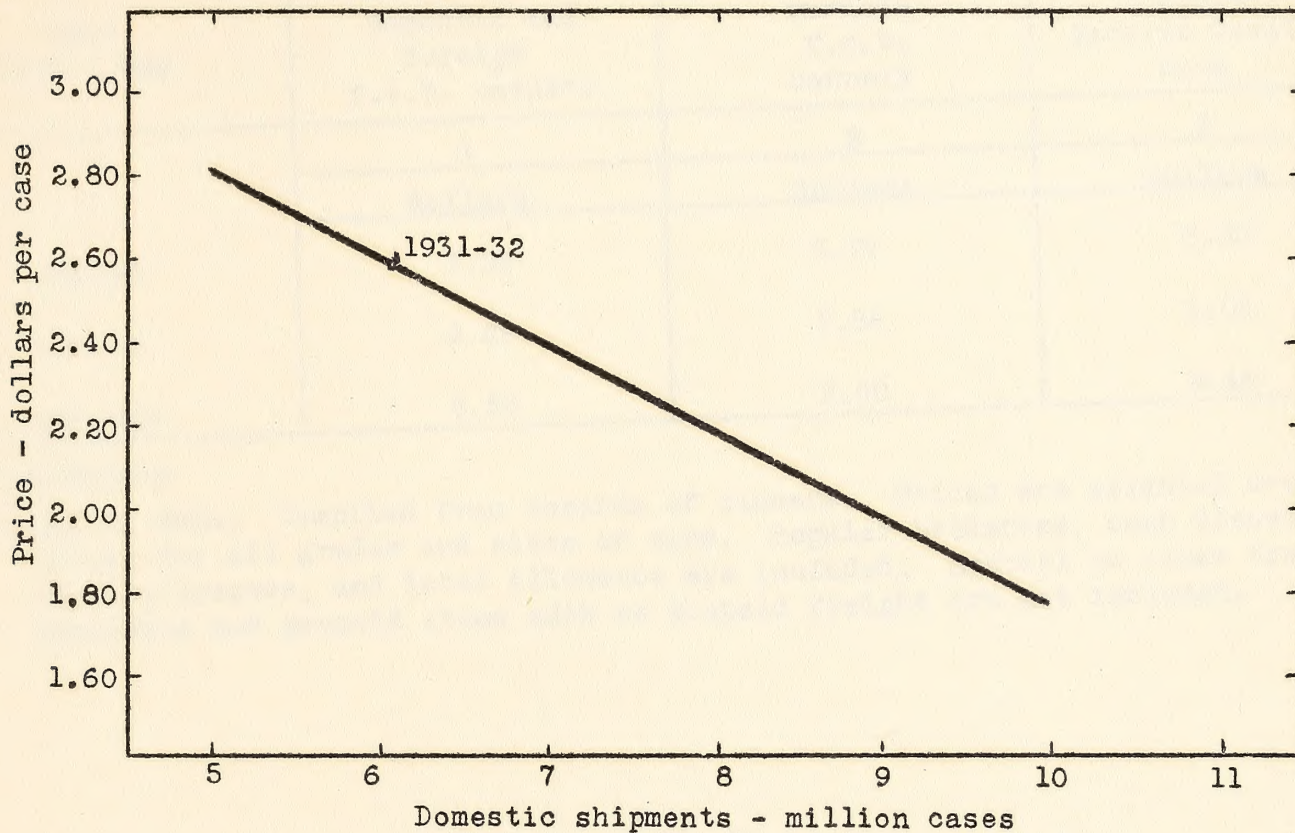


Figure 2.

Average Relation Between F.O.B. Prices and Total (Domestic and Foreign) Shipments of Canned Peaches, Adjusted to the Situation in 1931-32

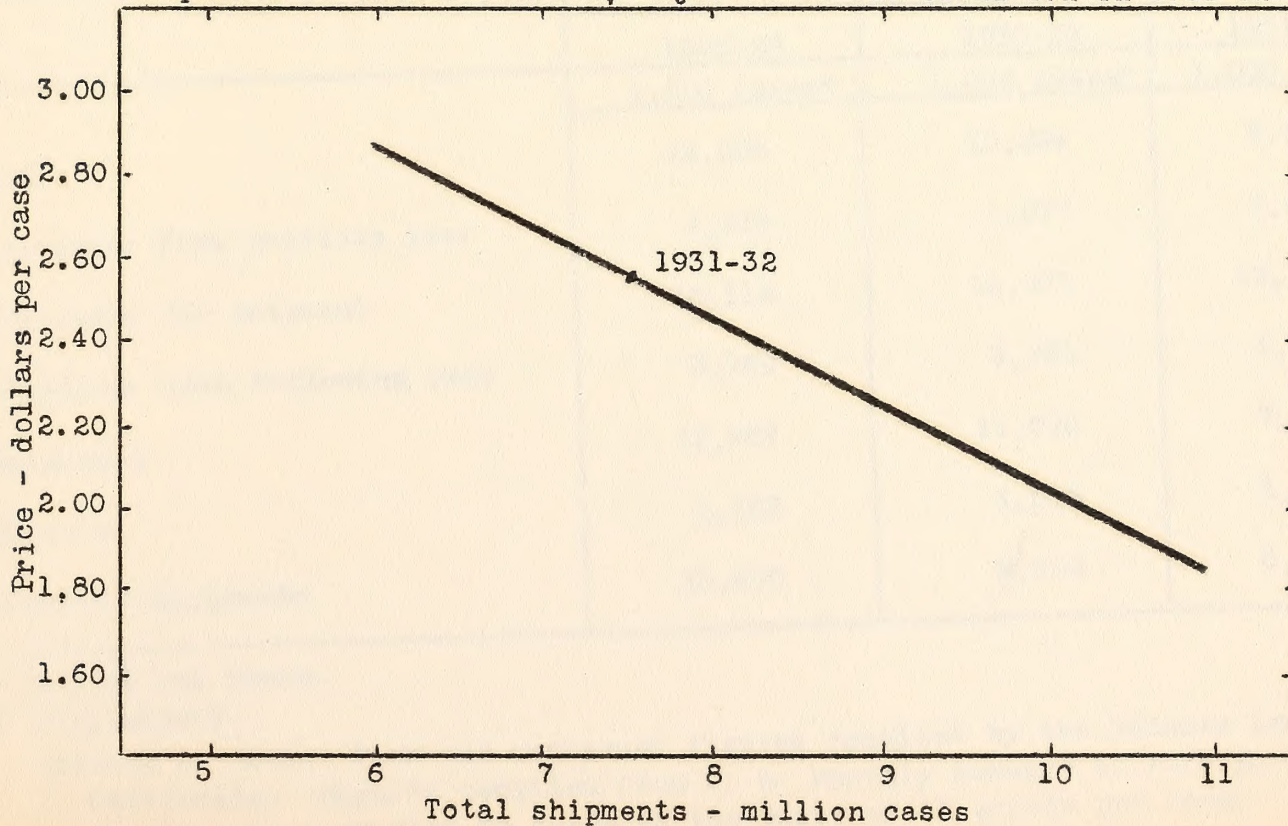


Figure 1

Average Relation Between F.O.B. Prices and Domestic Shipments of Canned Peaches, Adjusted to the Situation in 1951-52



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Figure 2

Average Relation Between F.O.B. Prices and Total (Domestic and Foreign) Shipments of Canned Peaches, Adjusted to the Situation in 1951-52



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Table 1.

Average Annual Prices Per Case Received for California Canned Peaches

Year June - May	All markets domestic and foreign f.o.b. cannery	Domestic markets f.o.b. cannery	United Kingdom f.o.b. Pacific Coast dock
	1	2	3
	dollars	dollars	dollars
1928-29	3.22	3.21	3.33
1930-31	2.88	2.86	3.04
1931-32*	2.55	2.59	2.44

\* Preliminary

Source of data: Compiled from records of canners. Prices are weighted average prices for all grades and sizes of cans. Regular brokerage, cash discount, swell allowance, and label allowance are included. Special or other trade discounts and prepaid items such as prepaid freight are not included.

Table 2.

Pack, Carryover, Shipments, and Exports of California Canned Peaches

(Includes both freestones and clingstones)

	Year, June - May		
	1928-29	1930-31	1931-32#
	1,000 cases*	1,000 cases*	1,000 cases*
Pack	14,596	13,294	8,420
Carryover from previous year	1,516	1,677	3,951
Available for shipment	16,112	14,971	12,371
Carryover into following year	3,149	3,951	4,845
Shipments	12,963	11,020	7,526
Exports	2,163	1,618	1,440
Domestic shipments	10,800	9,402	6,086

\* No. 2½ can basis.

# Preliminary.

Sources of data: Pack and carryover figures compiled by the Canners League of California. Exports compiled from U. S. Monthly Summary of Foreign Commerce. Pounds were converted to cases on the basis of 45 pounds per case.



Table 3.

Indexes of Prices, Employment, and Fruit Production in the United States

Year and month	Index of wholesale prices of all commodities av. 1910-1914=100	Index of general prices 1913=100	Index of factory employment av. 1923-1925=100	Index of fruit production
	1	2	3	4
Annual (June-May)				
1928-29	142	178	100	115
1930-31	117	161	80	109
1931-32	100	142	70	124
Monthly				
1931				
June	105	150	76	
July	105	149	75	
August	105	149	74	
September	104	147	73	
October	103	144	70	
November	103	144	69	
December	100	140	69	
1932				
January	98	138	68	
February	97	136	68	
March	96	135	66	
April	96	135		

Sources of data:

- Col. 1. U. S. Dept. Labor, Bur. Labor Statistics.
- Col. 2. Standard Trade and Securities Service. Standard Statistical Bulletins. Index prepared by the Federal Reserve Bank of New York.
- Col. 3. Federal Reserve Board Index of Factory Employment, published in the Federal Reserve Bulletin.

Table 4.

Average Quotations on Specified Canned Fruits, F.O.B. California

(Dollars per dozen No. 2½ cans)

Canned fruit	1930-31	1931-32	Per cent 1931-32 of 1930-31
	dollars	dollars	per cent
Peaches (Choice halves)	1.65	1.47	89
Apricots (Choice halves)	1.85	1.50	81
Pears (Choice)	1.95	1.65	85
Pineapples (Fancy sliced)	2.05	1.50	73

Source of data: Compiled from the California Fruit News.



Table 5.

United States Exports of Canned Peaches

Year June-May	Total	United Kingdom	Canada	Others
	1	2	3	4
	1,000 cases	1,000 cases	1,000 cases	1,000 cases
1928-29	2,163	1,544	197	422
1930-31	1,618	1,348	69	201
1931-32*	1,440	1,270	10	160

\* Preliminary.

Source of data: U. S. Monthly Summary of Foreign Commerce.

Table 6.

United Kingdom Imports of Canned Peaches from the United States  
and Australia and Total Imports of All Canned Fruits

Year July-June	C a n n e d P e a c h e s			All canned fruits
	United States	Australia	Total United States and Australia	
	1	2	3	4
	1,000 cases	1,000 cases	1,000 cases	1,000 cases
1928-29	1,544	260	1,804	6,814
1930-31	1,348	393	1,741	6,883
1931-32*	1,270	300	1,570	7,590

\* Preliminary.

Sources of data:

Column 1. Compiled from U. S. Monthly Summary of Foreign Commerce.

Pounds were converted to cases on the basis of 45 pounds per case.

Column 2. Compiled by M. E. Brooding, Statistician, California Packing Corporation.

Column 4. From Accounts Relating to Trade and Navigation of the United Kingdom.





Table 7.

Indexes of Prices and Unemployment in England

Year and Month	Index of prices of canned fruits in dollars	Index of wholesale prices of all commodities in pounds sterling	Percentage of insured persons unemployed	Exchange rate of pound sterling
	1	2	3	4
Annual (July-June)				
1928-29	98.1	138	11.1	4.8665
1930-31	90.2	110	19.6	4.8665
1931-32*	70.0	104	21.7	3.9080
Monthly				
1931				
July		102	22.0	4.8571
August		100	22.0	4.8581
September		99	22.6	4.5535
October		104	21.9	3.8927
November		106	21.4	3.7201
December		106	20.9	3.3779
1932				
January		106	22.4	3.4336
February		105	22.0	3.4577
March		105	20.8	3.6425
April			21.4	3.7477
May				3.6778
June				

\* Preliminary.

Sources of data:

- Column 1. Based on import valuations compiled from Accounts Relating to Trade and Navigation of the United Kingdom.
- Column 2. Federal Reserve Bulletin.
- Column 3. London and Cambridge Economic Service. Monthly Bulletin.
- Column 4. The Annalist.

